

# FIRE SUPPRESSION COSTS UPDATE

A Report Prepared for the

## **Legislative Finance Committee**

by

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## PURPOSE AND SCOPE

The purpose of this report is to provide an update of the financial impact of the 2002 fire season on the state budget and the Department of Natural Resources and Conservation (DNRC).

## DNRC FIRE COST ESTIMATE

The legislature usually does not appropriate any general fund in the general appropriations act to suppress wildfires (other than personal services appropriated for other purposes, but spent on fire suppression). Instead, it appropriates funding through: 1) a supplemental appropriation in the next regular session to reimburse the department for appropriation transfers and actual and expected fire suppression costs; and/or 2) statutory appropriations of up to \$12.0 million if the Governor declares a wildfire emergency.

The department has estimated that fire suppression efforts in fiscal 2002 will cost the State of Montana approximately \$12.6 million. The following table describes how the fire suppression cost estimate was calculated.

Table 1 Natural Resources and Conservation 2002 Estimated Fire Costs		
<b><u>PART 1:</u></b>		
<b><u>FY 2002 ACTUAL &amp; ESTIMATED FIRE COSTS</u></b>		
Actual State Protection Costs as of February 22, 2002	\$8,433,162	
U.S. Forest Service/BLM Estimated Bill	6,806,034	
Estimated Fall 2001/Spring 2002 Fire Costs	600,000	
DNRC Budgeted Cost	(300,000)	
PAID & ANTICIPATED OBLIGATIONS		\$15,539,196
<b><u>PART 2:</u></b>		
<b><u>COSTS COVERED BY OTHER SOURCES</u></b>		
GOVERNOR'S EMERGENCY FUND ADVANCE	(6,700,000)	
Total Cost Covered by Other Sources		(6,700,000)
Estimate of Unpaid Balance		<u>\$8,839,196</u>
<b><u>PART 3:</u></b>		
<b><u>NET COST TO THE STATE OF MONTANA</u></b>		
Estimated Unpaid Balance		\$8,839,196
Assistance to Other Agencies	(\$2,971,722)	
Governor's Emergency Fund Advance	<u>6,700,000</u>	
SUBTOTAL		<u>3,728,278</u>
PRELIMINARY NET COST TO STATE		<u>\$12,567,474</u>

Part 1 of the table shows total estimated costs for state-responsibility fires, including the anticipated bill from the federal government for assistance in fighting Montana fires. The department must: 1) pay \$8.4 million to cover actual state protection costs as of February 22, 2002; 2) pay an estimated \$6.8 million to federal agencies for their costs yet to be billed for fighting state fires; 3) set aside an estimated \$0.6 million for anticipated spring 2002 wildfire costs; and 4) deduct \$0.3 million for personnel costs that had been budgeted in HB 2. These calculations bring the cost of fire suppression to approximately \$15.5 million.

Part 2 shows those portions of the cost that have been covered by non-DNRC funds such as the Governor's emergency fund. So far, the department has utilized \$6.7 million from the Governor's emergency fund. Since the \$6.7 million from the Governor's emergency fund has already been appropriated, if the remaining costs had to be paid today, the supplemental appropriation the legislature would be asked to make is \$8.8 million.

Part 3 shows the net cost of Montana's fire suppression. When Montana firefighters help other agencies suppress fires, Montana is reimbursed for associated expenses. DNRC estimates that reimbursements from other states for Montana's assistance in fighting their fires will be \$3.0 million.

To arrive at the net cost to Montana, the Governor's emergency fund, which is also a general fund account, must also be accounted for. As of February 22, 2002, DNRC has utilized \$6.7 million from the Governor's emergency fund for fire suppression costs. As part 3 shows, it is estimated that the fiscal 2002 fire season will cost Montana approximately \$12.6 million.

This is an increase of \$2.7 over the amounts reported to the LFC during the December 2001 meeting. The majority of the difference results from changes in the Forest Service bill. The December estimate of the Forest Service Bill reflects a department estimate of the total while this report contains a revised, more accurate estimate. Other differences are primarily the result of additional state protection costs being accounted for on the state's accounting system. These changes are expected as a fire season ends and the bills become finalized.

## **AVAILABLE SOURCES OF AUTHORITY**

There are two sources of authority that DNRC will use to pay fire costs until the 2003 legislative session, when a supplemental appropriation to pay state fire costs will be requested.

### **Internal Department – Supplemental Appropriation**

To help pay for fiscal 2002 fire costs, DNRC will utilize fiscal 2003 general fund spending authority from the operating budget of the Water Resources Division. To accomplish this, the department has asked to process a budget change document (BCD)

to move \$2.0 million of fiscal 2003 general fund authority from the Water Resources Division to the Forestry Division. Then, the department has asked to transfer the \$2.0 million in fiscal 2003 to fiscal 2002 in the Forestry Division to be used to pay for fiscal 2002 fire costs.

## Governor's Emergency Fund

When the Governor declares an emergency or disaster, 10-3-312 MCA, provides a \$12 million statutory biennial appropriation to be used by state agencies to fund related costs. Because it is a biennial appropriation, and because many agencies can be affected by an emergency or disaster, DNRC does not have exclusive access to all of the emergency authority in the event of a fire emergency or disaster.

Table 2 shows appropriations from the emergency fund established by the executive as of February 22, 2002.

Table 2 Governors Emergency Fund Remaining Balance As of February 22, 2002	
<b>Governor's Emergency Fund</b>	\$12,000,000
<b>Appropriations by Agency:</b>	
<i><b>Department of Natural Resources</b></i>	
Statewide Fire Emergency - SA	\$6,700,000
<i><b>Department of Justice</b></i>	
Security	6,921
<i><b>Department of Administration</b></i>	
Sept 11 Disaster - SA	6,990
<i><b>Department of Military Affairs</b></i>	
EO 20-01 2001 Fires	765,540
EO 19-01 Flood Custer County	56,322
EO 23-01 September Terrorism	<u>119,011</u>
<b>Total Emergency Fund Appropriations Established</b>	<u>7,654,784</u>
<b>Governors Emergency Fund -- Remaining Balance</b>	<u><u>\$4,345,216</u></u>

As shown, DNRC has established a total of \$6.7 million of the fund for use on fire suppression efforts, the Department of Military Affairs has established \$0.9 million for the floods, fires, and terrorism, and the Departments of Justice and Administration each established just over \$6,900 for terrorism activities. Thus, \$7.6 million of the total \$12.0 million statutory appropriation has been established, leaving a balance of \$4.3 million. Just over 36 percent of the Governor's emergency fund is left to fund emergencies for the remaining 66.7 percent of the 2003 biennium.

## General Fund Impact of Emergencies

Generally, emergencies in Montana are paid for with the general fund. Although emergencies can have significant costs, these costs are not reflected in the ending general fund balance. Thus, if the legislature is targeting a particular ending balance in the general fund, a particularly brisk fire season has the potential to significantly reduce or eliminate any balance in the general fund.

In fiscal 2002, wildfires will cost the state a total of \$13.3 million with DNRC accumulating \$12.6 million and the Department of Military Affairs accumulating \$0.7 million. Although wildfires are the most significant from a cost perspective, Montana has other emergency costs.

As Table 3 indicates, Montana had \$132,922 in costs related to terrorism activities and \$56,322 of costs related to a flood. Although they are not reflected in budget calculations, the general fund will be used to pay \$13.5 million of emergency related costs.

Table 3 Impact to the General Fund -- Emergencies in Montana As of February 22, 2001 for Fiscal 2002		
<b>Preliminary Net Cost to the State -- DNRC Fire Costs (emergency Fund, other)</b>		<b>\$ 12,567,474</b>
<b>Other Governor's Emergency Fund Appropriations</b>		
<b>Wildfires:</b>		
Department of Military Affairs	\$	765,540
<b>Terrorism:</b>		
Department of Military Affairs		119,011
Department of Justice		6,921
Department of Administration		6,990
<b>Flood:</b>		
Department of Military Affairs		56,322
Total Additional Emergency Fund Appropriations		\$ 954,784
<b>Total Impact to the General Fund</b>		<b><u>\$ 13,522,258</u></b>